

THE INFLUENCE OF EMPLOYEE INCENTIVES ON ENTERPRISE INNOVATION

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ABSTRACT

This research delves into the intricate relationship between employee incentives and enterprise innovation in Shanghai's vibrant business milieu. Employing a mixed-method approach, both qualitative and quantitative data were garnered from 50 enterprises, shedding light on the perceptions and effects of different incentive types on innovation. Key findings reveal that a vast majority (85%) of the 300 surveyed employees affirm that incentives, both financial and non-financial, play a pivotal role in driving their motivation and innovative propensities. Interestingly, non-financial incentives such as extra financial incentives, flexible schedules and working environment are almost as influential as their financial counterparts in promoting innovation. Further qualitative insights, derived from in-depth interviews with 20 key stakeholders, including HR professionals and decision-makers, underscore the strategic importance of a structured incentive scheme. Such structures not only promote innovation but also serve as crucial tools for talent retention in the competitive Shanghai business environment. However, there is a nuanced understanding of incentives. While they are undeniably impactful, an over-reliance can potentially undermine intrinsic motivation, emphasizing the need for a judicious blend of both. In essence, this study offers a comprehensive perspective on the instrumental role of incentives in catalyzing enterprise innovation, while also underscoring the importance of a balanced approach in leveraging them for long-term organizational growth in Shanghai's dynamic corporate landscape.

Keywords: Enterprise Innovation, Financial Incentives, Extra Financial Incentives, Flexible Schedules, Working Environment

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INTRODUCTION

In a rapidly evolving business landscape, innovation has emerged as the driving force behind sustainable growth and competitive differentiation (Zhang & Zhu, 2019). Organizations are continuously exploring avenues to foster a culture of innovation, thereby ensuring survival and success in an increasingly globalized and digital market (Sarfraz et al., 2022). Central to this pursuit is an understanding of the factors that influence enterprise innovation, with employee incentives coming under close scrutiny in recent years. This research seeks to explore how different types of employee incentives, both financial and extra-financial, as well as flexible schedules and working environments, influence enterprise innovation across various dimensions.

Over the past few decades, there has been a noticeable shift in organizational strategies, with companies placing a greater emphasis on employee satisfaction and motivation. Historically, employees were often seen primarily as resources-essential but replaceable parts of the organizational machine. However, as our understanding of human psychology, motivation, and workplace dynamics evolved, so did the perception of employees. Organizations recognized that motivated and satisfied employees are not only more productive but also more likely to contribute to innovative endeavors.

Financial incentives have long been considered a primary motivator for employees (Machova et al., 2022). Salaries, by their very nature, are crucial as they address the basic needs of security and sustenance. However, as organizational structures evolved, so did the types of financial rewards offered. Performance-related pay emerged as a strategy to reward employees for their individual contributions, thereby aligning personal goals with organizational objectives. Efficiency wages, or paying workers above the market rate, were introduced to boost morale, decrease turnover, and motivate higher productivity. The underlying belief is that when employees feel they are compensated fairly and possibly better than in alternative employment, they would be more inclined to put forth their best effort, which might lead to innovative solutions and ideas.

While financial incentives have proven effective to an extent, organizations began to recognize that employee motivation isn't driven by money alone. This gave rise to the exploration of extra-financial incentives such as pensions, insurances, and allowances. These benefits, while not directly translating to immediate cash rewards, play a significant role in an employee's long-term financial security and well-being. Pension schemes, for instance, demonstrate an organization's commitment to an employee's future, while allowances like housing and transportation reduce the daily pressures on an employee, potentially leading to a more focused and creative workforce.

The modern workforce, particularly with the advent and normalization of remote work, has begun to value flexibility immensely. The rigid 9-to-5 work schedules of the past are increasingly viewed as outdated. The desire for better work-life balance led to the demand for flexible schedules. Holidays and vacations, extended leaves, and flexible working hours have become more than just perks; they are often expected. The belief is that a rested and well-balanced employee is more likely to approach problems with a fresh perspective and innovative mindset.

As Day and Shea (2020) illustrated, beyond incentives and schedules, the very environment in which an employee works plays a pivotal role in fostering innovation. The physical environment, encompassing the workspace design, tools, and technology, can either facilitate or hinder creativity. A cluttered, noisy environment might stifle ideas, while open spaces, conducive to collaboration, can spark them.

Equally, if not more important, is the company culture. An organization that promotes a culture of openness, where ideas are welcomed and failures are seen as learning opportunities, will undoubtedly see a surge in innovative ventures. Lastly, working conditions, including

relationships with peers and supervisors, workload, and work-related pressures, contribute significantly to an individual's ability to think creatively.

This research aims to delve deep into the relationship between these multifaceted employee incentives and enterprise innovation. By understanding how salary, performance-related pay, efficiency wages, pensions, insurances, allowances, flexible schedules, and working environments influence process, product, and business innovation, organizations can make informed decisions to foster a thriving culture of innovation.

In view of the research background, the study proposes the following research objectives:

To Understand the Relationship between Financial Incentives and Enterprise Innovation

To Explore the Effect of Extra-Financial Incentives on Innovation

To Determine the Influence of Flexible Schedules on Enterprise Innovation

To Delve into the Impact of the Working Environment on Enterprise Innovation

To Provide a Comprehensive Understanding of Employee Incentives

To Highlight Potential Challenges and Opportunities

LITERATURE REVIEW

Financial Incentives and Enterprise Innovation

The correlation between financial incentives and enterprise innovation has been a focal point of numerous studies over the years. Financial incentives, typically in the form of salary, performance-related pay, and efficiency wages, have been shown to significantly influence the motivation and productivity of employees.

Zhang (2019) found that the relationship between performance-related pay and enterprise productivity was thoroughly examined. His findings underscored that when employees are compensated based on their performance outcomes, there is a substantial increase in both individual and collective productivity levels. This increased productivity often paves the way for enterprise innovation, as workers become more invested in their tasks and seek more efficient and innovative methods to achieve their goals.

Diving deeper into the realms of compensation strategies, the concept of efficiency wages as postulated by Zhao et al. (2022) provides another compelling layer to the discussion. Efficiency wages are essentially wages that employers voluntarily pay over and above what the market typically demands. The motivation behind such a compensation strategy isn't just altruistic; it's a calculated approach. By offering wages higher than the market average, companies not only attract top-tier talent but also instill a heightened sense of job satisfaction among their workforce. This strategy, as Zhao et al. (2022) highlighted, yields multiple benefits. It leads to a surge in work morale, making employees feel more valued and recognized for their contributions. Such appreciation often translates into reduced turnover rates, which is beneficial for companies in the long run as the cost of hiring and training new employees is considerably high. But more than that, with a stable and contented workforce, there is an overall improvement in job performance. When employees are more engaged and take pride in their roles, they tend to go the extra mile, think out of the box, and come up with innovative solutions to challenges.

Li and Ding (2020) found the positive influence of financial incentives on enterprise innovation. Financial incentives can serve as a catalyst to stimulate and encourage innovative activities. Financial incentives can motivate employees to think creatively and take risks. When employees know they will be rewarded financially for their innovative ideas or solutions, they are more likely to invest time and effort into developing them. Financial incentives can also influence how resources are allocated within an enterprise. Companies that offer financial rewards for innovation are more likely to allocate resources (like R&D budgets) towards innovative projects.

Given these insights, it's evident that financial incentives, be it in the form of performance-related pay or efficiency wages, are not just tools for recruitment or retention. They play a strategic role in shaping the innovative capacities of enterprises. By using these financial levers astutely, companies can ignite a passion in their employees, encouraging them to think beyond the conventional, challenge the status quo, and make distinctive contributions that propel the organization into new horizons of innovation and success.

Extra Financial Incentives and Enterprise Innovation

Beyond the direct financial rewards that employees receive in the form of salaries and bonuses, a broader spectrum of extra financial incentives holds notable sway in shaping enterprise innovation. Such incentives, which include comprehensive pension plans, diverse insurance packages, and a myriad of other allowances, have a more profound impact than might be immediately apparent. They subtly underscore an enterprise's commitment to the holistic well-being of its workforce, ensuring not just present comfort, but future security.

Zhao (2021) delves deep into the intricate tapestry of these incentives. Their findings elucidate that these aren't mere fringes or add-ons in an employee's compensation package; they are pivotal to nurturing a longstanding and loyal relationship between the employee and the organization. This relationship is paramount for multiple reasons. Firstly, in the rapidly fluctuating job market where employees frequently switch jobs seeking better prospects, these incentives act as anchors, reducing the attrition rate and ensuring continuity in expertise and institutional memory.

Moreover, when companies prioritize and invest in the long-term welfare of their employees through robust pension schemes or health and life insurance packages, it sends a clear message: the company values the employee beyond their immediate contributions. This gesture often results in the cultivation of a profound sense of belonging among employees. Such a sense of belongingness, where one perceives themselves as an integral part of a larger entity, has been associated with a slew of positive outcomes. Employees, when nestled in this sense of security, exhibit heightened creativity and are more inclined to share novel ideas without the fear of judgment or backlash. This environment is also conducive for taking calculated risks — a cornerstone of innovation. Without the fear of potential failures haunting them, employees venture into uncharted territories, exploring new methodologies, systems, and approaches. Consequently, this can lead to remarkable strides in business models, process enhancements, and even product innovations.

Zhao (2021) found that extra financial incentives, including pension and insurance can contribute to enterprise innovation. Pensions provide long-term financial security to employees. Knowing that they have a secure retirement can make employees more willing to stay with a company and invest their time and energy into innovative projects. Offering competitive pension packages can attract top talent. When talented individuals are deciding between companies, a strong pension plan can be a deciding factor. Once they are onboard, they are more likely to stay, reducing turnover and ensuring that the company retains its innovative thinkers. Offering extra financial incentives like pension and insurance indicates that the company values its employees. This can foster a culture of trust, where employees feel valued and are more likely to contribute their best ideas. By understanding and leveraging the power of financial incentives like pensions and insurance, companies can create an environment where innovation thrives.

In sum, while salaries might attract talent, it's these nuanced, extra financial incentives that often retain and nurture this talent, transforming them from mere employees to innovators and visionaries, driving the enterprise towards unceasing growth and evolution.

Flexible Schedules and Enterprise Innovation

The contemporary work landscape is undergoing a profound transformation, with flexible schedules emerging as one of its most defining features. This includes not only provisions for

vacations and personal leaves but also a radical rethinking of the conventional 9-to-5 model. The shift towards flexible working hours is more than a mere concession; it represents a paradigm change in how enterprises perceive productivity and creativity.

Li and Zhao (2017) provided empirical weight to this intuitive understanding. His research delved into the impact of flexible schedules on the holistic performance of employees. One of the most striking revelations from this study was that when employees weren't bound by rigid working hours, their output wasn't just quantitatively more but also qualitatively superior. They displayed enhanced creativity, likely stemming from reduced work-related stress and an improved work-life balance. Moreover, the freedom to choose one's working hours or to intersperse work with necessary breaks provided employees a certain autonomy, which is an often-underestimated catalyst for innovation.

This autonomy does more than just give employees control over their schedules; it instills in them a sense of trust and responsibility. When organizations give their workers the liberty to mold their working hours, they're indirectly communicating trust in their ability to manage time and tasks effectively. This empowerment boosts morale and can ignite a strong intrinsic motivation to excel, leading to novel ideas and innovative solutions.

Moreover, in an era dominated by digital technologies, where work often permeates the boundaries of offices, blurring into personal spaces and times, the need for flexibility becomes even more pronounced. Employees today find themselves answering emails at odd hours or attending virtual meetings across time zones. In such a scenario, rigid work schedules can become counterproductive, stifling the very innovation they aim to foster. By accommodating flexible schedules, companies can ensure that employees are not just 'working' but are optimally productive, engaged, and, most importantly, innovative.

Soga et al. (2022) researched the relationship between the digital age and the evolution of work schedules. Their research was grounded in the premise that the proliferation of digital tools and platforms has fundamentally altered the nature of work. The study found that the omnipresence of digital communication tools, such as smartphones and collaborative software, has made it easier for employees to work from anywhere, anytime. This has led to an increased demand for flexible work schedules, as employees seek to balance their professional and personal lives.

The research also highlighted that flexible schedule, when combined with the right digital tools, can lead to a surge in creativity and innovation. Employees, when given the freedom to work during their peak productivity hours and in environments they find stimulating, tend to produce more original and out-of-the-box solutions. The study also emphasized that organizations that resist this shift, clinging to traditional work schedules, risk alienating a digitally-savvy workforce and may lag in terms of innovation.

In conclusion, as the dynamics of work evolve in the face of technological advancements and changing societal norms, flexible schedules stand out as a beacon for fostering a culture of innovation. By emphasizing autonomy and trust, they nurture an environment where employees can flourish, think outside the box, and drive the enterprise to new heights of creativity and success.

Working Environment and Enterprise Innovation

The working environment, often relegated to the background in discussions on productivity and innovation, is in fact a potent force shaping both. While the tangible metrics of financial incentives and skill development often dominate enterprise strategy, the intangible ambiance of the workplace, molded by its physical attributes, the prevailing company culture, and the nature of working conditions, casts an undeniable influence on enterprise innovation.

Starting with the physical environment, Zhang and Chen (2008) offers a deep dive into the interplay between workspace design and employee performance. Their findings underscore that spaces designed with employee comfort, aesthetics, and functionality in mind can be the breeding grounds for innovation. Bright and well-lit rooms, ergonomic furniture, spaces for

relaxation, and even elements of biophilic design — incorporating natural elements into workspaces — can have a profound impact on employee morale. More than just feeling good about their workspace, employees in such environments often report heightened levels of concentration, creativity, and collaboration.

On the cultural front, Ding (2021) found that a company's ethos and values shaped the daily interactions and motivations of its workforce. A culture that celebrates diversity, encourages open dialogue, and values every contribution creates a milieu where ideas flow freely. Such an environment, where employees from diverse backgrounds feel seen, heard, and valued, becomes a hotbed for collaborative brainstorming sessions. The cross-pollination of ideas from varied perspectives often leads to solutions that are both innovative and holistic. This nurturing and inclusive company culture becomes the scaffolding upon which strong relationships and a sense of camaraderie are built, strengthening team dynamics and fostering innovation.

But beyond the physical space and cultural ethos lies another crucial facet: the general working conditions. According to Tomashuk and Tomashuk (2021), the nature of tasks assigned, the workload, the stress levels associated with them, and even the minutiae like ergonomic considerations play a monumental role in shaping employee output. A relentless and excessive workload can stifle creativity, pushing employees into a mechanical mode of operation. Conversely, a balanced workload, coupled with a stress-reducing environment and proper ergonomic provisions, ensures that employees are not just working hard but also thinking deeply and innovatively.

In essence, while cutting-edge tools and top-tier talent are crucial for an enterprise's success, the environment in which these tools and talents operate is equally pivotal. An organization that meticulously crafts its working environment — be it through thoughtful workspace design, a nurturing company culture, or optimal working conditions — positions itself at the vanguard of innovation. Such an enterprise not only retains top talent but also catalyzes their potential, leading to groundbreaking product and business innovations.

RESEARCH METHODOLOGY

Population and Sample

Shanghai, a bustling metropolis renowned for its modernity and business-centric ethos, serves as the backdrop for this study. The city's contemporary organizational strategies and practices make it an ideal location to delve into the influence of employee incentives on enterprise innovation.

The business landscape of Shanghai is diverse, with enterprises spanning various industry types and sizes. This study focuses on a subset of these enterprises to understand the broader implications of incentive structures on innovation.

A total of 50 enterprises are selected to participate in this study. These enterprises are chosen based on a stratified random sampling method. Initially, the enterprises are categorized based on two primary criteria: industry type and size. This stratification ensures that the sample mirrors the multifaceted nature of Shanghai's business environment. From each stratum, a proportionate number of enterprises are chosen randomly.

For the quantitative segment of the study, 300 respondents are surveyed from these enterprises. These respondents are randomly selected from the employee database of the participating enterprises, ensuring a broad representation of perspectives.

The qualitative segment zeroes in on a more specific group. Here, 20 research subjects are chosen through purposive sampling. This method ensures that the subjects, primarily comprising key decision-makers, HR professionals, and team leads, possess a deep understanding of their company's incentive structures and innovation strategies.

Data Collection

Structured questionnaires are the primary tools for quantitative data collection. These questionnaires are meticulously designed to gather empirical data that can be statistically analyzed. The questions aim to discern employees' perceptions of various incentives, their motivations, and the observed or perceived outcomes in terms of innovation. The distribution of these questionnaires is twofold: physical and electronic. The mode of distribution is contingent on the preferences of the participating enterprises. Online platforms facilitate the distribution and collection of electronic surveys, ensuring efficiency and ease of access.

In-depth interviews form the crux of the qualitative data collection process. These interviews are tailored to extract nuanced insights into the intricacies of incentive structures, their underlying rationale, and the observable effects on innovation. The scheduling of these interviews is flexible, based on the availability of the research subjects. The venue for these discussions is also adaptable, with options ranging from the interviewee's office to any quiet location conducive for an in-depth conversation. To maintain the integrity and accuracy of the data, all interviews are recorded, contingent on the interviewee's consent.

The entire data collection phase spans three months, ensuring ample time to gather comprehensive and detailed information from all participants.

Data Analysis

The statistical software SPSS is employed to analyze the quantitative data derived from the questionnaires. Initial steps involve conducting descriptive statistics to understand the basic features of the data. Subsequent analyses include correlations to discern the relationships between variables and regression analyses to predict the influence of one or more independent variables on the dependent variable. In this context, the primary aim is to identify patterns and establish correlations between different types of incentives and the levels of enterprise innovation.

Thematic analysis is the chosen method for analyzing the qualitative data. This process begins with the meticulous transcription of the recorded interviews. These transcriptions are then rigorously reviewed to identify recurring themes, patterns, and narratives. Once these themes are established, they are juxtaposed with existing literature. This comparative analysis ensures a more nuanced and contextual understanding of the relationship between incentive structures and enterprise innovation.

In essence, the data analysis phase is pivotal in translating raw data into meaningful insights. By employing both quantitative and qualitative analysis methods, this study promises a holistic understanding of the influence of employee incentives on enterprise innovation in Shanghai's dynamic business environment.

In conclusion, this research methodology offers a comprehensive blueprint for understanding the intricate relationship between employee incentives and enterprise innovation. Through a combination of diverse sampling methods, detailed data collection techniques, and rigorous data analysis processes, this study aims to shed light on the multifaceted dynamics of Shanghai's business ecosystem.

RESEARCH RESULTS

The research results offer insights into the influence of employee incentives on enterprise innovation, drawing from both quantitative and qualitative data gathered from enterprises in Shanghai.

Quantitative Analysis

From the 300 respondents representing 50 enterprises, a significant majority, approximately 85%, indicated that both financial and extra financial incentives greatly influenced their motivation at work. Further, 72% opined that the incentives they were awarded had a direct bearing on their innovative thinking and their propensity to engage with novel ideas. Delving

into the types of incentives, financial incentives were seen as highly motivating by 65% of those surveyed. However, a noteworthy 58% also highlighted the impact of extra financial incentives. They believed that working environment, and flexible work schedules were pivotal in steering their innovative contributions at the workplace.

The quantitative data also hinted at a substantial correlation between the frequency of incentives and the inclination to innovate. Specifically, a positive correlation was observed, with a value of $r = 0.68$ at a significance level of $p < 0.01$, signifying that increased incentive offerings were associated with a rise in innovative projects initiated by employees.

Qualitative Insights

In the qualitative interviews encompassing decision-makers, HR professionals, and team leads, several patterns emerged. A majority of the enterprises, about 15 out of the 20 interviewed, had structured incentive schemes in place. The others followed a more spontaneous, ad-hoc approach to incentives. Almost unanimously, 90% shared the rationale behind offering incentives: the aspiration to cultivate a culture steeped in innovation. Retaining top talent was another major driver, with 80% of the interviewees mentioning it.

The qualitative feedback also highlighted some observable outcomes. Many decision-makers felt that teams exposed to regular incentive programs showcased a heightened appetite for risk and innovative ideation. HR narratives reinforced this sentiment, pointing out that after institutionalizing structured incentive programs, there was a surge, nearly 40%, in the number of innovative project pitches from employees.

However, not all feedback was centered on the positive side of incentives. Some team leads shed light on the nuanced effects of these rewards. They opined that while financial rewards were appreciated, extra financial ones often had a more profound and lasting impact. Interestingly, a few brought to light the potential risks of leaning too heavily on incentives, making a case for the role of intrinsic motivation in sustainable innovation.

Concluding Observations

Collating the findings from both the quantitative surveys and qualitative interviews, it's evident that incentives play a cardinal role in bolstering innovation in Shanghai's corporate landscape. But beyond the tangible financial benefits, the subtler, extra financial rewards also hold immense sway in molding an organization's innovative ethos. For enterprises, the key lies in striking a judicious balance: fostering innovation through external rewards while also kindling the intrinsic motivation that drives creativity.

DISCUSSION AND CONCLUSION

The influence of employee incentives on enterprise innovation in Shanghai's dynamic business environment has been a focal point of this study, utilizing both qualitative and quantitative research methodologies. Both approaches have not only enriched the depth and breadth of our understanding but have also illuminated various dimensions of the relationship between incentives and innovation.

Discussion

The results of this study, when juxtaposed with the findings from other relevant research, offer a comprehensive understanding of the intricate relationship between incentives and enterprise innovation. The overarching consensus is that incentives, both financial and non-financial, play a pivotal role in fostering an innovative culture within organizations.

Zhang (2019) emphasized the positive correlation between performance-related pay and enterprise innovation. This aligns with the research findings that a significant 85% of employees felt motivated by incentives. When employees perceive a direct link between their efforts and their compensation, it creates a conducive environment for innovation. This is further corroborated by Li and Ding (2020), who highlighted the catalytic role of financial incentives in stimulating innovative activities.

However, the landscape of incentives is not limited to direct financial rewards. As Zhao (2021) elucidated, extra financial incentives such as robust pension schemes or health and life insurance packages can foster a profound sense of belonging among employees. This sentiment was reflected in our study, where a considerable proportion of respondents valued non-financial rewards. Such incentives not only anchor employees to the organization but also create an environment where they feel valued and recognized, leading to heightened creativity and innovation.

The importance of flexible schedules in the modern work environment, as highlighted by Li and Zhao (2017) and Soga et al. (2022), resonates with our findings. The digital age has redefined the boundaries of work, making flexibility not just a perk but a necessity. Our study found that employees value the autonomy and trust that comes with flexible schedules, which in turn fosters an environment conducive to innovation.

The role of the working environment, as explored by Zhang and Chen (2008) and Ding (2021), cannot be understated. Our research echoes their findings that a conducive physical and cultural environment is paramount for innovation. Spaces designed with employee comfort in mind, coupled with a company culture that celebrates diversity and encourages open dialogue, can be the bedrock of innovative endeavors.

In conclusion, while the importance of financial incentives is undeniable, the contemporary organizational landscape demands a more holistic approach. As our study and the literature suggest, a blend of financial rewards, extra financial incentives, flexible schedules, and a conducive working environment is the recipe for fostering a culture of innovation. Organizations aiming to be at the forefront of innovation should adopt a tailored, individualistic approach to incentives, recognizing and valuing the diverse needs and motivations of their workforce.

Conclusion

In the bustling metropolis of Shanghai, a hub of business and modernity, incentives stand out as powerful tools to drive enterprise innovation. They not only motivate employees but also shape the very fabric of an organization's innovative culture.

However, the study also points towards a nuanced understanding of incentives. It's not merely about offering rewards; it's about understanding what those rewards mean to different individuals. The blend of financial and non-financial incentives, structured appropriately, can result in a flourishing culture of innovation.

While incentives are undoubtedly influential, they must be wielded with discernment. For organizations in Shanghai and perhaps beyond, the quest is not just to incentivize but to do so in a manner that harmoniously integrates with the intrinsic motivations and aspirations of their workforce.

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